

Calendar No. 386

105TH CONGRESS }
2d Session

SENATE

{ REPORT
105-194

FEDERAL FINANCIAL ASSISTANCE MANAGEMENT IMPROVEMENT ACT OF 1998

REPORT

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 1642

TO IMPROVE THE EFFECTIVENESS AND PERFORMANCE OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS, SIMPLIFY FEDERAL FINANCIAL ASSISTANCE APPLICATION AND REPORTING REQUIREMENTS, AND IMPROVE THE DELIVERY OF SERVICES TO THE PUBLIC



MAY 22, 1998.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

59-010

WASHINGTON : 1998

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FEDERAL FINANCIAL ASSISTANCE MANAGEMENT IMPROVEMENT ACT OF 1998

MAY 22, 1998.—Ordered to be printed

Mr. THOMPSON, from the Committee on Governmental Affairs,
submitted the following

REPORT

[To accompany S. 1642]

The Committee on Governmental Affairs, to which was referred the bill (S. 1642) to improve the effectiveness and performance of Federal financial assistance programs, simplify Federal financial assistance application and reporting requirements, and improve the delivery of services to the public, having considered the same, reports favorably on the bill and recommends that the bill do pass.

I. SUMMARY AND PURPOSE

S. 1642, the Federal Financial Assistance Management Improvement Act of 1998, requires federal agencies to coordinate and streamline the process by which applicants apply for assistance from Federal financial assistance programs, particularly where similar programs are administered by different Federal agencies. The purpose is to facilitate better coordination among the Federal Government, State, local and tribal governments, and not-for-profit organizations, simplify Federal financial assistance application and reporting requirements, and ultimately improve the delivery of services to the public.

II. BACKGROUND

There are over 600 federal programs which provide assistance to State, local and tribal governments and non-profit organizations. Funds provided under these programs are intended to meet a variety of domestic policy needs and objectives, and ultimately resolve some of the real problems facing our nation's residents. However, administrative red tape often impedes the effective delivery of serv-

ices to those who need them most. The goal of S. 1642 is to improve the performance of Federal grant and other assistance programs by streamlining their application, administration and reporting requirements and facilitating greater coordination among federal agencies and their non-federal partners. The bill builds on past Committee efforts to improve performance (through the Government Performance and Results Act of 1993) and reduce Federal burdens on State, local and tribal governments (through the Paperwork Reduction Act and the Unfunded Mandates Reform Act). Furthermore, the bill recognizes the Federal Government's growing reliance on electronic information and the Internet by emphasizing the use of electronic reporting in the grant application and management process.

Many of the programs available to States and localities and non-profits serve similar purposes but are administered by different agencies. For example, taxpayers spend \$20 billion on 163 job training programs administered by 15 different federal agencies. Eleven agencies administer over 90 early childhood programs. Economic development is another area involving dozens of different programs and multiple agencies at the Federal level. The result is a confusing maze of overlapping programs that is difficult for even experienced service providers to navigate. Among other problems, this maze results in varied and different applications for like programs; duplicative information collection requirements; unnecessary separate and distinct reporting requirements; and, inefficiently timed funds dispersal and auditing procedures. Not only does this process frustrate State and local government and non-profit organizations charged with carrying out Federal grant programs, it also causes program inefficiency which reduces the effectiveness of these programs at all levels.

S. 1642 is intended to bring some coordination to these programs and to simplify the process by which States and localities and non-profits apply for and report on the use of the funds available under these programs.

The bill is short and straightforward. It requires relevant Federal agencies, with oversight from the Office of Management and Budget (OMB), to develop plans within 18 months that do the following:

- Streamline application, administrative and reporting requirements;

- Develop a uniform application (or set of applications) for related programs;

- Develop and expand the use of electronic applications and reporting via the Internet;

- Demonstrate interagency coordination in simplifying requirements for cross-cutting programs; and,

- Set annual goals to further the purposes of the Act.

Agencies would consult with outside parties in the development of the plans. Plans and annual reports would be submitted to Congress and the Director of OMB and could be included as part of other management reports required under law.

In addition to overseeing and coordinating agency activities, OMB would be responsible for developing more common rules (one common rule, for example, is the restriction on the use of Federal

funds for lobbying) that cross program and agency lines and for developing a release form that allows grant information to be shared across programs. The National Academy of Public Administration would submit an evaluation of this Act's effectiveness in four years. The bill sunsets in five years.

III. LEGISLATIVE HISTORY

S. 1642 was introduced by Senator Glenn on February 12, 1998 with Committee Chairman Thompson and Senators Levin, Lieberman and Akaka. While still in draft form, the legislation was endorsed by the National Governors' Association, the National Association of Counties, the National Conference of State Legislatures, the National League of Cities, and the Council of State Governments. Governor George Voinovich (R-OH) and Governor Ben Nelson (D-Neb), representing the National Governors' Association, testified in favor of the legislation during the Committee's hearing on regulatory reform on February 24, 1998.

The Committee proceeded to consider S. 1642 on April 1, 1998. No amendments were offered. S. 1642 was ordered reported unanimously by recorded vote of 9 to 0.

IV. SECTION-BY-SECTION ANALYSIS

Sec. 1. Short title

This Act may be cited as the "Federal Financial Assistance Management Improvement Act of 1998".

Sec. 2. Findings

This section finds that there are over 600 Federal financial assistance programs designed to implement domestic policy, and that some of the administrative requirements of these programs may be impeding the cost effective delivery of services at the local level; further, State, local and tribal governments and non-profit organizations are dealing with increasingly complex problems, and simplifying the procedures and reporting requirements of Federal aid programs will improve the delivery of services to the public.

Sec. 3. Purposes

The purposes of this Act are to improve the effectiveness and performance of Federal aid programs, simplify application and reporting requirements, improve the delivery of services to the public, and facilitate greater coordination among those responsible for delivering services.

Sec. 4. Definitions

This section defines the terms used in this Act, including "Federal financial assistance program".

Sec. 5. Duties of the Director

(a) IN GENERAL.—The Director of the Office of Management and Budget shall coordinate and assist federal agencies in establishing—

- (1) a uniform application or set of uniform applications to be used to apply for assistance from multiple Federal programs

that serve similar purposes and are administered by different Federal agencies;

(2) ways to streamline administrative procedures and reporting requirements for grantees;

(3) a uniform system wherein an applicant can apply for, manage, and report on the use of funding multiple Federal programs across different Federal agencies;

(4) a process by which applicants can apply for and report on the use of Federal funds electronically;

(5) use of common rules for multiple Federal programs across different Federal agencies;

(6) improved interagency and intergovernmental coordination of information collection, including the development of a release form to facilitate information sharing;

(7) a process to strengthen the information resources management capacity of grantees pertaining to the administration of Federal programs; and

(8) specific annual goals and objectives to further the purposes of this Act.

(b) ACTION CONSISTENT WITH STATUTORY REQUIREMENTS.—Actions taken by the Director must be consistent with the statutory requirements of any applicable Federal program.

(c) LEAD AGENCY AND WORKING GROUPS.—The Director may designate a lead agency and use interagency working groups to assist in carrying out this section.

(d) REVIEW OF PLANS AND REPORTS.—

(1) IN GENERAL.—The Director shall review agency plans and reports, monitor the annual performance of each agency, and ensure that each agency plan does not diminish standards to measure performance and accountability of financial assistance programs.

(2) REPORT.—Not later than 3 years after the enactment of this Act, the Director shall report to Congress on the implementation of this section. Such report may be included as part of any required general management report.

(e) EXEMPTIONS.—

(1) IN GENERAL.—The Director may exempt any Federal agency if he determines it does not have a significant number of Federal aid programs.

(2) AGENCIES EXEMPTED.—Not later than November 1 of each fiscal year, the Director shall submit a list of exempted agencies, and an explanation for such exemption, to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight.

(f) GUIDANCE.—Not later than 120 days after the enactment of this Act, the Director shall issue guidance to Federal agencies on its implementation and include a statement on the common rules the Director intends to review and standardize under this Act.

Sec. 6. Duties of Federal agencies

IN GENERAL.—Not later than 18 months after enactment of this Act, each Federal agency shall develop and implement a plan that—

(1) simplifies the application, administrative, and reporting procedures for each Federal program administered by the agency;

(2) demonstrates active participation in the interagency process under section 5(a);

(3) demonstrates agency use of the uniform application and system developed under section 5(a);

(4) designates a lead agency official;

(5) allows applicants to apply for, and report on the use of, Federal funds electronically;

(6) strengthens the information resources management capacity of grantees pertaining to the administration of Federal programs; and

(7) in cooperation with grantees, establishes annual goals and objectives to measure performance.

(b) **PLAN CONSISTENT WITH STATUTORY REQUIREMENTS.**—Each plan developed and implemented under this section shall be consistent with statutory requirements relating to any applicable Federal program.

(c) **COMMENT AND CONSULTATION ON AGENCY PLANS.**—

(1) **COMMENT.**—Each agency shall publish its plan in the Federal Register for comment and hold public hearings on its plan.

(2) **CONSULTATION.**—The lead official designated by each agency shall consult with State, local and tribal governments and qualified organizations during development of the agency plan. Consultation with state, local and tribal governments shall be in accordance with section 204 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1534).

(d) **SUBMISSION OF PLAN.**—Each agency shall submit its plan to Congress and the Director of OMB and report annually on its implementation and performance. Such report may be included as part of any other required general management report.

Sec. 7. Evaluation

(a) **IN GENERAL.**—The Director (or lead agency official) shall contract with the National Academy of Public Administration to evaluate the effectiveness of this Act. The evaluation shall be submitted to the Director and Congress not later than four years after the enactment of this Act.

(b) **CONTENTS.**—The evaluation shall—

(1) evaluate the effectiveness of this Act and make recommendations to further its implementation;

(2) evaluate the performance of each agency in achieving its goals and objectives;

(3) access the level of coordination among the Director, agencies, and grantees in implementing this Act.

Sec. 8. Effective date and sunset

This Act shall take effect on the date of enactment and shall cease to be effective five years after such date.

V. ESTIMATED COST OF LEGISLATION

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 21, 1998.

Hon. FRED D. THOMPSON,
Chairman, Committee on Governmental Affairs,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1642, the Federal Financial Assistance Management Improvement Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is John R. Righter.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill, Director).

Enclosure.

S. 1642—Federal Financial Assistance Management Improvement Act of 1998

Summary: S. 1642 would require federal agencies to simplify the procedures for state and local governments and nonprofit organizations to apply for and report on federal grant and assistance programs. Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 1642 would cost between \$5 million and \$10 million over the 1999–20003 period. This estimate includes several million dollars in costs for federal agencies to develop and report on plans to implement the bill's provisions, between \$1 million and \$2 million for the Office of Management and Budget (OMB) to oversee the governmentwide effort, and about \$0.5 million for OMB to contract with the National Academy of Public Administration (NAPA) to study and report on the bill's effectiveness.

Because the bill could affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority, pay-as-you-go procedures would apply. CBO estimates that such effects would not be significant. S. 1642 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would impose no costs on state, local, or tribal governments.

Description of the bill's major provisions: The bill would direct OMB to oversee an interagency effort to implement the bill's eight objectives, including creating a single form for applicants to apply for multiple federal assistance programs and allowing applicants to apply for and report on the use of federal funds electronically. The bill also contains several reporting requirements. Within 18 months of enactment, agencies would be required to develop a plan to implement the bill's objectives, including a set of performance measures, which the agencies would report on in the following years. It also would require OMB to report to the Congress on the agencies' plans and NAPA to evaluate and report to OMB and the Congress on the bill's effectiveness. The bill's provisions would sunset five years after enactment.

Estimated cost to the Federal Government: Subject to appropriation of the necessary amounts, CBO estimates that S. 1642 would

increase planning and reporting costs by between \$5 million and \$10 million over the 1999–2003 period.

Much of S. 1642 would codify current law or current policy. For instance, a uniform application—SF 424, Application for Federal Assistance—already exists. Additionally, initiatives currently are under way to streamline application and reporting requirements (such as measures resulting from the Paperwork Reduction Act of 1995) and increase the use of electronic methods (such as the Interagency Electronic Grant Committee), although S. 1642 could expedite and improve such efforts. Expediting the reduction of paperwork requirements and the implementation of electronic information systems for federal financial assistance programs could reduce some administrative costs, but CBO expects that savings over the next five years would probably not be significant.

The bill would require agencies to devise plans to implement its eight objectives, including establishing performance measures to track their progress, and to report annually on their success relative to such measures. CBO estimates that such costs would not be significant for any one agency, but that, governmentwide, the costs would total at least several million dollars over the bill's five-year period. (We expect the bill would apply to the approximately 20 agencies that provide nearly all of domestic federal financial assistance.)

In addition, the bill would require OMB to oversee the governmentwide effort, which CBO estimates would cost between \$1 million and \$2 million. That estimate would cover the annual costs of one to two staff-years to coordinate and oversee the interagency effort, as well as the costs to review and comment on the agencies' performance plans and reports and to report to the Congress on such plans.

Finally, the bill would require that OMB contract with NAPA to evaluate and report on the bill's effectiveness. Based on information from NAPA, which estimates it would need about a year to complete the analysis, CBO estimates that the study would cost about \$0.5 million.

Pay-as-you-go considerations: The Balanced Budget and Enforcement Deficit Control Act of 1985 specifies procedures for legislation affecting directing spending and receipts. Pay-as-you-go procedures would apply to S. 1642 because it could affect spending by agencies not funded through annual appropriations. CBO estimates that such effects would not be significant.

Intergovernmental and private-sector impact: S. 1642 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill could reduce the cost of meeting application and reporting requirements for state, local, and tribal governments and nonprofit organizations receiving federal assistance.

Estimate prepared by: John R. Righter.

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

VI. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirement of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered

the regulatory and paperwork impact of S. 1642. The legislation contributes to the efficient administration and management of Federal financial assistance programs by facilitating the use of uniform application and reporting requirements and increasing the use of electronic reporting. It would impose no additional regulatory burdens, and should reduce paperwork and administrative burdens on Federal grant recipients by eliminating redundant and obsolete requirements related to the administration of Federal financial assistance programs. Over time, it should also reduce paperwork burdens on Federal agencies in moving to both a more streamlined Federal grant management process and by expanding the use of electronic reporting and applications.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee states that S. 1642, as reported, makes no changes in existing law.

